

Top Secret

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NATIONAL INTELLIGENCE DAILY CABLE

Tuesday 25 April 1978

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NATIONAL SECURITY INFORMATION

Unauthorized Disclosure Subject to Criminal Sanctions

State Dept. review completed

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National Intelligence Daily Cable for Tuesday, 25 April 1978.

The NID Cable is for the purpose of informing senior US officials.

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CHAD: Military Situation

25X1 [] //French Jaguar fighter-bombers based in Ivory Coast apparently are now flying combat missions in Chad against the Libyan-supported Muslim rebel forces occupying Salal, and reinforced French ground forces are planning another counterattack to retake the town this week. The rebels have seized another government outpost in eastern Chad and are moving closer to the major town of Abeche. []

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25X1 [] The French Ambassador in Chad asserts that the Jaguars have conducted only reconnaissance missions, but several US Embassy and defense attache sources have confirmed that four French Air Force Jaguars sent to Ivory Coast more than a week ago have been using Abidjan as a tactical base for raids in Chad. Whatever the role of the aircraft, the French undoubtedly prefer to keep them in Ivory Coast, despite the great distance from their targets, because they are safer and less politically provocative there.

25X1 [] The Jaguars apparently have been used near Salal, the scene of recent heavy fighting. French soldiers who led a counterattack against rebel forces there early last week have withdrawn, apparently to refit and reorganize. Another counter-attack was scheduled to begin yesterday.

25X1 [] Other rebel forces are said to have captured Guereda yesterday, and unconfirmed reports suggest that the insurgents are only 40 kilometers from Abeche, the largest town in the area and the easternmost point of the French-Chadian defensive line.

25X1 [] [] [] The rebel radio has urged Chadian civilians to demonstrate against the government and its French supporters, and the government has ordered stronger security measures in the capital city and has closed all schools.//

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[] //The French believe that a quick, decisive military victory over the rebels at Salal would disrupt the insurgents' strategy and give new life to the beleaguered Malloum regime. Regardless of the outcome at Salal, if extensive fighting continues the French and the Chadians will be hard-pressed to reverse the deteriorating political and military situation.// []

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HUNGARY: Risky Economic Reform

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[] Hungary's recently announced price reform will cut its burdensome subsidies but will open the economy to serious inflation. A Communist Party Central Committee session last week is reported to have adopted a two-year program to abolish most consumer price subsidies. Few details are available, but one official has stated that the government "hopes" to avoid double-digit inflation. The Hungarian program is the most radical of a number of current East European economic reform proposals.

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[] By abolishing consumer subsidies, Hungary would rely more heavily on market prices to allocate resources--an unprecedented move for an East European country and one that considerably increases price flexibility in Hungary.

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[] Under Hungary's 1968 reform, domestic prices were exposed to a large extent to world market pressures, but the leadership, unwilling to risk excessive economic dislocation, created a system of subsidies that was vastly expanded in the wake of rapid world inflation in 1973-74. By 1975, consumer price subsidies accounted for 8 percent of budget outlays.

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[] The regime has in recent years been increasingly concerned about this economic insulation and the subsequent misallocation of resources. In 1975 it began raising prices substantially for enterprises, without passing the increases on to the consumer. Prices increased a record 5 percent in 1976 and a further 4 percent in 1977, but the increases have apparently been deemed insufficient to prevent "excessive" consumption of goods at artificially low prices.

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[] Hungarian officials admit that freeing prices carries political risks. Poland rescinded a large price increase in 1976 because of worker and consumer backlash. The Hungarians

successfully raised meat prices 30 percent immediately after the Polish experience but, unlike the Poles, the Hungarian leadership prepared the population by announcing the size and timing of the increase well in advance. Budapest also hopes to placate consumers by periodically increasing wages.

25X1 [] Foreign trade and labor productivity problems have recently sparked economic reform discussions in other East European countries. Czechoslovakia is experimenting with adjusting prices according to quality and the technology involved in production, while tying worker income to the value rather than the quantity of output. In tightly run Romania, party chief Ceausescu has promised some decentralization of decisionmaking and higher material rewards for workers in return for greater productivity. []

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USSR-CHINA: Border Talks

25X1 [] Soviet Deputy Foreign Minister Ilichev, the USSR's chief representative at the Sino-Soviet border talks, may depart for Peking this week for another round of negotiations.

25X1 [] A Yugoslav diplomat in Moscow stated last week that Ilichev might leave early in the week; an Italian news service quoted Chinese diplomatic sources in Peking as saying that he would arrive tomorrow. We cannot confirm these reports, but it is about time that the talks resume; the negotiations, held at the level of deputy minister, have been suspended for 14 months.

25X1 [] Ilichev's return to Peking would not necessarily presage any movement in the negotiations. The two sides have remained deadlocked since the talks began nine years ago, and both Moscow and Peking publicly reaffirmed their mutually incompatible positions on a border settlement in a recent exchange of polemics that suggests Sino-Soviet relations are as embittered as ever. []

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CHINA: Crop Conditions Deteriorate

25X1 [] Crop conditions in China's major agricultural areas have deteriorated markedly since early April. The winter wheat crop--which accounts for roughly one-seventh of the country's total annual grain production--was most directly affected because of unseasonably high temperatures this month.

25X1 [] Recently acquired data from Chinese weather stations show abnormally dry, hot, windy weather throughout most of eastern China from 9 through 14 April, conditions that could lower wheat yields by 20 percent or more. Even irrigated wheat--common in that area--would be affected. Until this unusual spring weather, the major winter wheat areas had survived the winter well, and harvest prospects were good.

25X1 [] We do not know the full extent of the damage. While the Chinese have tried to mobilize manpower to fight drought conditions by irrigating wheat fields and protecting transplanted rice, there is little they can do to make up lost production.

25X1 [] In the Yangtze River basin, where about one-half of China's early rice is produced, conditions have been favorable, and the early rice has probably not been adversely affected by the hot April weather. In parts of southern China, however, cloudy, wet weather in March and early April hurt prospects for the early rice crop. []

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UK: Scottish Opinion Poll

25X1 [] *//An opinion poll showing strong Scottish support for the Labor Party, along with the party's good performance in a Scottish by-election earlier this month, will be reassuring to Prime Minister Callaghan, who will soon face the question of whether to call a general election this fall.//*

25X1 [] *//The poll indicates that there is considerable support for the government's devolution policy and that the Scottish Nationalists have lost strength since the last general election in 1974. The survey--conducted by Britain's most reliable political polling organization--shows that 41 percent of the respondents favor the Labor Party; 30 percent, the Tories; and 27 percent, the Scottish Nationalists. Other data just released reveal that support for the Nationalists has declined from a high of 38 percent in mid-1977 to its present low.//*

25X1 [] *//Analysis of the poll results indicates that, if an election were held now, Labor would retain almost all of its present Scottish seats, the Tories would improve their position, and the Nationalists' numbers would be cut. Labor must win the majority of Scotland's 71 seats in order to retain power.//*

25X1 [] //In ranking issues, the economy was judged the most important, while respondents placed devolution eighth. On this question, 63 percent indicated that in a referendum they would back the government's devolution proposals. The government's devolution bill should become law by this summer. Support for independence--only 20 percent--has remained constant over the past four years, suggesting that the British Government need not worry about losing control of the North Sea oil in Scottish waters.//

25X1 [] //Callaghan could put Labor's popularity in Scotland to the test again should he opt to hold a by-election in Hamilton, a seat now held by Labor. Before the Scottish by-election earlier this month, the government had hinted that it might delay the Hamilton vote until fall because the Nationalist candidate is a proven vote-getter and the government would prefer not to be embarrassed during the period preceding an anticipated election. []

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BRIEF

Nigeria

25X1 [] The Nigerian Government responded to recent student unrest by closing four universities over the weekend and banning a radical student group that organized protests originally in response to a 300-percent increase in school fees. The group has refused to accept the ban and is trying to continue anti-government action, but the departure of students from campuses should ease tension.

25X1 [] The students have now won some sympathy from the public, which faults security forces for overreacting in attempting to curb rampaging demonstrators. Over 17 students are reported to have been killed in clashes during the past week and many more injured.

25X1 [] The press has called on the government to appoint a commission of inquiry. One newspaper has demanded the removal of the military officer who serves as commissioner of education; the ruling military council may choose to make him a scapegoat for student troubles. []

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